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PUBLIC DEBT

LONG-RANGE PLAN

1990

Department of the Treasury
Fiscal Service

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PUBLIC DEBT LONG-RANGE PLAN

1990

Department of the Treasury
Fiscal Service

TO OUR MANAGERS AND STAFF:

The publication of our tenth Long-Range Plan during Public Debt's Golden Anniversary year affords us an occasion to reflect on our accomplishments while pursuing the promise of the future.

Public Debt was established as a Bureau in 1940. While Public Debt as a Bureau is of fairly recent vintage, its heritage goes back to the very formation of our country. Public Debt and the organizations that preceded it have been borrowing money to meet our national needs for over two hundred years.

Since this is an introduction to a planning document it is proper to note the change and innovation taking place in Public Debt. We have had some extraordinary accomplishments during the past few years and many more initiatives are underway. These improvements and innovations have enabled us to accomplish our mission while reducing costs, enhancing controls, and improving quality.

I find it interesting to think about our recent plans in the context of how things have changed over the years. The way we conduct our work today is vastly different from the way it was done when the Bureau was formed a half-century ago. The technology we use today was hardly imaginable in 1940. The Treasury securities market also is far more complex — and far larger — than it was a half-century ago, and this catalog of change could continue. Despite these remarkable changes, perhaps of greater importance is what hasn't changed. What hasn't changed is our commitment to a tradition of integrity, precision, efficiency and responsiveness — these qualities long associated with Public Debt will remain our watch-words.

These qualities didn't spring automatically from the legislation establishing Public Debt as a Bureau. They also didn't come from a Departmental or Bureau directive. These qualities came from the skill, dedication and character of the many individuals who devoted their careers to Public Debt. So, as we go forward with accomplishing the objectives of this plan and venture into new areas in the future let's do so on the solid footing of the past.

Richard L Gregg

Commissioner

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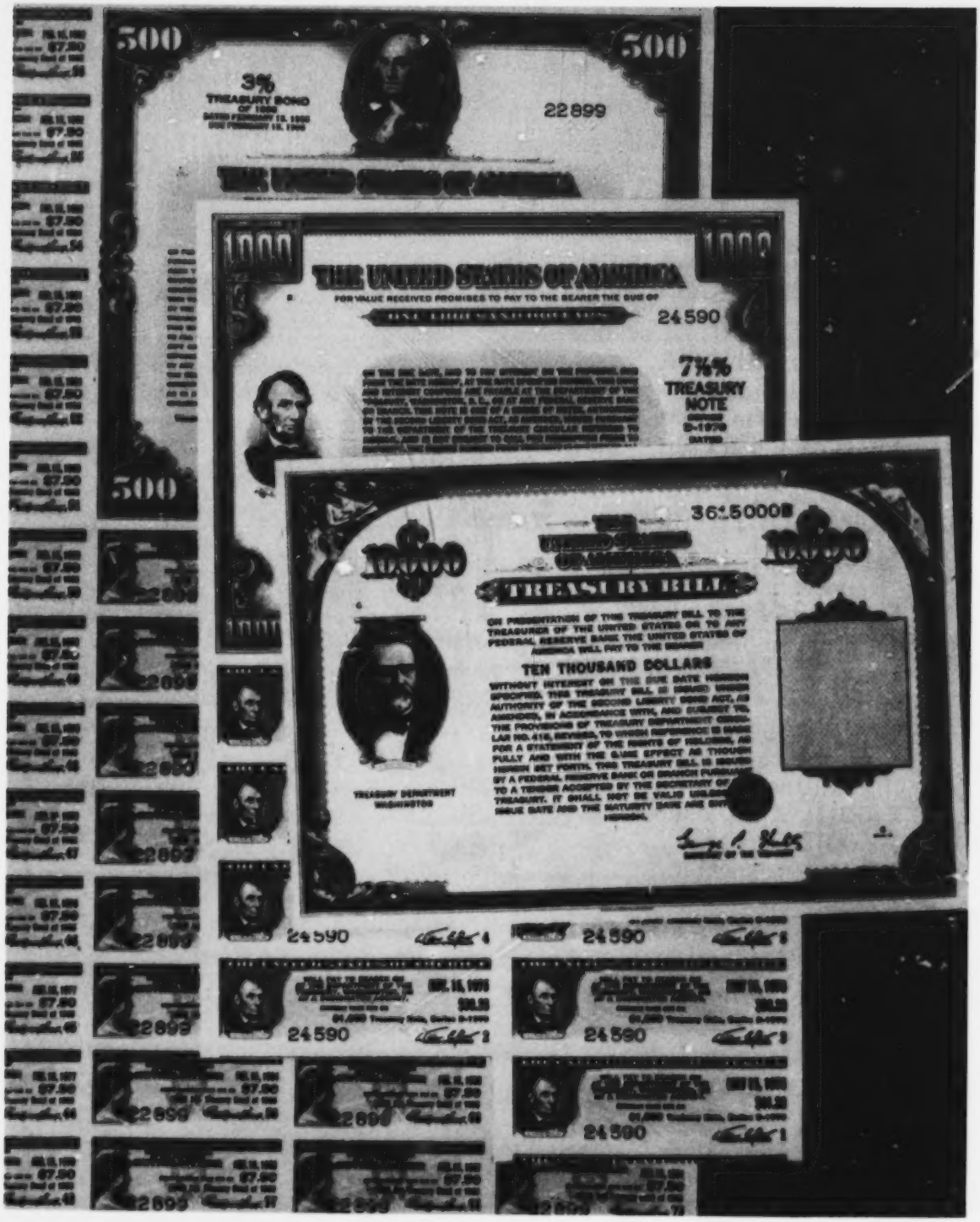

500
3%
TREASURY BOND
22899
THE UNITED STATES OF AMERICA
1000
THE UNITED STATES OF AMERICA
FOR VALUE RECEIVED PROMISES TO PAY TO THE BEARER THE SUM OF
24590
7¼%
TREASURY
NOTE
10000
TREASURY BILL
TEN THOUSAND DOLLARS
TREASURY DEPARTMENT
WASHINGTON
24590

Public Debt Mission

Public Debt's mission is to borrow the money needed to operate the Federal Government and to account for the resulting public debt.

Introduction

AUTHORITY

Article 1, Section 8 of the Constitution empowers the Congress to borrow money on the credit of the United States. This authority has been delegated to the Secretary of the Treasury. Further, Title 31 U.S.C. authorizes the Bureau of the Public Debt as an organizational enitity within the Fiscal Service of the Department of the Treasury, prescribes the debt instruments, and otherwise limits and restricts the amount and composition of the debt.

PUBLIC DEBT PROGRAMS

Public Debt has six securities and accounting programs and subprograms which are as follows:

Commercial Book-Entry Securities

Direct-Access Securities
- Book-Entry Securities
- Definitive Securities

Savings Securities
- Accrual Bonds
- Current Income Bonds

Government Securities Market Regulation

Special Purpose Securities
- State and Local Government Series
- Other Special Treasury Securities
- Non-Treasury Securities

Public Debt Accounting
- Summary Financial Accounts
- Summary Securities Accounts

Planning Philosophy

Public Debt uses strategic planning as a structured and consistent way of setting directions and establishing priorities. The long-range plan reflects our assessment of the future and our determination of the best course for accomplishing our goals and objectives.

This plan, updated for calendar year 1990, represents the direction that Public Debt management currently intends to follow for the next 6 years.

Use of the Plan For Management Decisions

The plan forms the basis for management decisions and is a test for new initiatives, since a very important criterion is the degree to which a new idea supports the plan. Public Debt initiatives that have the highest priority are those that directly support specific directions statements. The next priority is given to items that are not specifically addressed in the directions statements but clearly support the spirit and intent of the plan. For other proposals to receive priority, they would need to be very strong and persuasive since their acceptance may require that the plan be altered.

Public Debt managers are expected to use this plan in the overall direction of their day-to-day activities and to contribute to the accomplishment of our objectives whether or not they have direct responsibilities for accomplishing specific action plans.

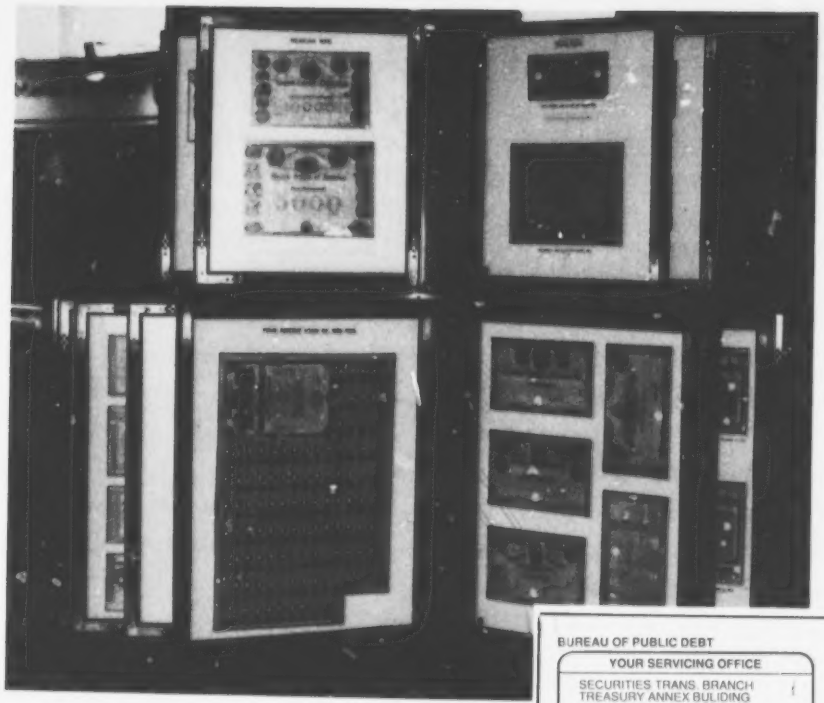
Intent of Action Plans

The action plan purpose statements contained in this plan provide definition and focus for expected accomplishments. They are not meant, however, to preclude managers from recommending changes if a preferable approach is identified or if the stated purpose is not feasible.

PUBLIC DEBT FACTS

The Federal government must borrow money when taxes plus other government revenue is less than the cost of government operations, maturing debt and interest on current debt.

The debt of the United States has been recorded and precisely accounted for since our country was founded. The Bureau of the Public Debt, established in 1940, has effectively accomplished this important responsibility for the past 50 years.



BUREAU OF PUBLIC DEBT

YOUR SERVICING OFFICE

SECURITIES TRANS. BRANCH
TREASURY ANNEX BULIDING
WASHINGTON, D.C. 20239
TELEPHONE:

STATEMENT OF ACCOUNT

ACCOUNT NUMBER:

REASON(S) FOR THIS STATEMENT

NEW ACCOUNT ESTABLISHED
CHANGE TO SECURITIES HOLDINGS

TELEPHONE: (401)
TAXPAYER IDENTIFICATION NUMBER:
TAX WITHHOLDING STATUS/RATE: EXEMPT

PAYMENT INFORMATION

PAYMENTS MADE BY DIRECT DEPOSIT
BANK:
ROUTING NUMBER:
SAVING:
NAME:

DESCRIPTION OF HOLDINGS AS OF: 09/13/86 **ACCOUNT BALANCE: $91,000.00**

LOAN	LOAN SUB-ACCOUNT				SCHEDULED REINVESTMENTS	
CUSIP NUMBER DESCRIPTION MATURITY DATE INTEREST PAYABLE TOTAL PAR AMOUNT	NO.	PAR AMOUNT	ISSUE DATE	PURCHASE PRICE $100 OF PAR	NUMBER REMAINING	LONG TERM
794RM8 BILL 01/15/87 01/15/87 $50,000.00	01	50,000.00	07/17/86	97.295		
NEXT PAYMENT WILL BE ON 01/15/87 FOR $50,000.00 (PAR AMT)						
912810RV5 7 1/4 BOND 14 02/15/14 SEMI ANNUAL $10,000.00	01	10,000.00	2/15/84	98.557		
NEXT PAYMENT WILL BE ON 08/15/86 FOR $362.50 (INTEREST)						
912827EH1 6 3/4 NOTE W 90 06/30/90 SEMI ANNUAL $6,000.00	01	6,000.00	6/30/86	99.586		
NEXT PAYMENT WILL BE ON 12/31/86 FOR $202.50 (INTEREST)						
912827J89 7 1/8 NOTE K 89 10/15/89 SEMI ANNUAL $15,000.00	01	15,000.00	11/03/83	99.542		
NEXT PAYMENT WILL BE ON 04/15/85 FOR $534.38 (INTEREST)						

IF YOU HAVE QUESTIONS CONCERNING THIS STATEMENT PLEASE CONTACT YOUR SERVICING OFFICE

MARKETABLE SECURITIES - THEN AND NOW

Statements of Future Directions

The statements of future directions describe the approaches that have been adopted and outline how they will apply to our programs and important relationships over the next several years.

Overview

Within our basic mission, Public Debt has four broad areas of responsibility: we have a comptroller responsibility for the public debt; a responsibility as the regulator of Treasury securities and related activities; a responsibility to manage specific marketable and nonmarketable securities programs; and a responsibility to conduct transactions and provide direct customer services.

The program specific initiatives and development efforts throughout our plan are accompanied by expectations of improved quality and visibility as well as increased management attention to Public Debt and Federal Reserve performance.

Our mission will not change, however . . .

Fundamental changes will continue in the savings bond program as a result of streamlining and consolidating the issue and redemption processes and changes to the terms and conditions of the instrument. Public Debt will remain the central recordkeeper of savings bond information but will receive and process less paper as significantly different processing mechanisms are implemented and increased automation occurs.

Major systems changes will occur in public debt accounting which will consolidate reporting requirements and produce accurate information more timely and with substantially more effective controls. In addition, we plan to expand our analytical capability with an objective of assuming a larger and more effective advocacy role in the area of debt accounting and presentation.

The major focus of the commercial book-entry program will be the development of a new commercial book-entry processing system following a comprehensive evaluation of the structure and operation of the government securities market. The system will need to effectively support Treasury's financing requirements, facilitate the primary and secondary markets for Treasury securities, and be responsive to changes in the financial services industry.

The current debt of the United States exceeds $2.9 trillion and the annual interest cost is almost $241 billion.

In the government securities market regulation program, Public Debt will continue to focus on the careful and deliberate interpretation of the government securities regulations and on strengthening our working relationships with other regulators, market participants, and industry groups. This focus will position Public Debt and the Department for a significant, on-going role in market regulation.

The emphasis in the direct-access program will continue to shift from transaction processing to program management. We will continue to encourage growth in TREASURY DIRECT. A new goal for the direct-access program is to convert all outstanding definitive securities to book-entry by 2000.

The system development efforts for Government Accounts and State and Local Government Series (SLGS) Securities highlighted in this plan reflect Public Debt's increased emphasis on our responsibilities for special purpose securities and the importance of these securities in debt financing.

Management Philosophy

Public Debt's mission, to borrow the money needed to operate the Federal Government, is essential and non-discretionary. Providing quality performance and service is critical to the successful accomplishment of that mission. We will foster an atmosphere of quality awareness that encourages all employees not to accept things as they are but to look for ways to improve accuracy, timeliness, and customer service.

Also, we are committed to efficient and cost effective management but will not pursue cost efficiencies that will impair our ability to successfully accomplish our primary program responsibilities.

Public Debt is managed informally and with the expectation that communication throughout the organization will be open, informal and candid; that delegations of authority will be made to the lowest practicable levels; and that efforts will be made to reach consensus in decision-making and in establishing program direction.

We expect our managers to understand their operations and systems and how they relate to our overall mission. We expect their understanding to be sufficient to allow them to have a constant and accurate sense of the "health" of their operations, to be able to effectively explain their operations to others, and to personally provide direction and leadership for their programs.

Public Debt's most important resource is its employees. We have high expectations of all our employees and recognize the value of their contributions. We will be sensitive to employee concerns and expectations and manage in a manner which will support recruitment and enhance retention, productivity, and morale.

Public Debt's future includes a number of significant and far-reaching initiatives and innovations. They have the potential to greatly change the way we accomplish our work. Personnel and work realignments as well as a smaller workforce will almost certainly result as we achieve the plans we have established. We will plan and manage to lessen disruption and minimize adverse effects on employees.

These changes will be exciting and challenging but at the same time can be unsettling to our employees. We need the continued support of our employees to move forward and are committed to communicating with them about the future directions of Public Debt and the expected impact on the workforce.

Government Securities Market Regulation

Public Debt will continue to support Treasury's responsibilities for regulating the government securities market through the effective and timely analysis, evaluation, and coordination of regulatory issues. We are committed to ensuring that the investor protection, market liquidity, and market efficiency goals of the Government Securities Act are met. Further, we believe that this can most effectively be accomplished if the Department and Public Debt have a significant, on-going role in market regulation.

We will expand and strengthen our working relationships with other regulators, market participants, and industry groups so that we can quickly identify and effectively respond to changing market practices. We will accomplish the technical and legal work associated with this program and in doing so continue to work closely with Department officials.

Commercial Book-Entry Securities

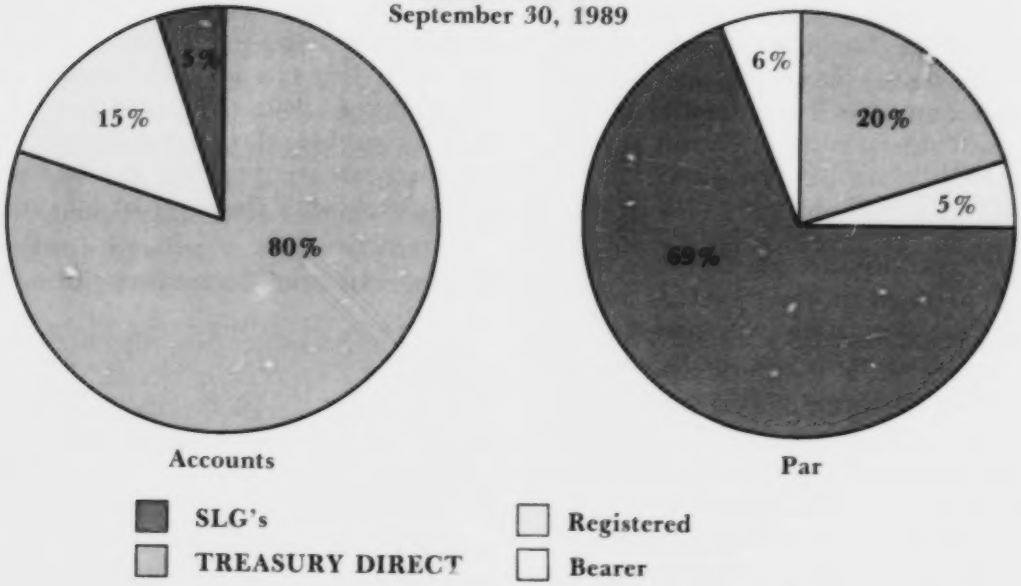
Public Debt will ensure the continued viability of a processing system to support secondary market activities and to resolve issues affecting access to and the operation of that market. To this end, we will maintain the expertise necessary to successfully execute our managerial and regulatory responsibilities.

Public Debt will also work with the Federal Reserve System to ensure that the current commercial book-entry securities transfer system continues to satisfy Treasury's financing requirements and, to the extent possible, minimizes the time and cost of introducing new instruments and making system changes and enhancements.

The Government's debt is financed through the sale of Treasury bills, notes, bonds, and United States savings bonds to the general public; and through the sale of special purpose securities that are available only to qualified buyers.

TREASURY SECURITIES

Accounts and Par
September 30, 1989



Planning for the future of commercial book-entry securities processing is a Public Debt priority. Changes in the securities markets combined with the age of existing processing systems have created the need for a new direction. What is needed is a comprehensive evaluation of the structure and operation of the government securities market which considers possible future changes in securities offerings and market participants as well as the technologies which should be used to support a new system. Therefore, Public Debt will continue to work with the Federal Reserve to define, develop and establish a new processing environment. As part of this effort, we will develop the regulations needed to describe the rights and obligations of market participants in this new environment.

To improve our ability to assess the impact of Treasury and Federal Reserve proposals and decisions on the securities market and Treasury's financing programs, we will expand our direct contacts and strengthen our working relationships with the financial community, market participants, and industry representatives.

Direct-Access Securities

The direct-access investment option is valuable to investors and to the Federal Government. TREASURY DIRECT will continue to be Public Debt's primary system for providing direct-access securities services. We will continue to offer TREASURY DIRECT as an efficient, automated book-entry system for Treasury bill, note and bond accounts. The system will be maintained and enhanced to provide high quality and secure services which are responsive to the needs of investors and system users.

We will continue to encourage the growth of TREASURY DIRECT by taking advantage of opportunities to promote its availability and investment features. In addition, we will assist financial institutions who want to help their customers purchase TREASURY DIRECT securities.

One of our primary goals for the Direct-Access Securities program is to have all outstanding marketable registered and bearer securities converted to book-entry (TREASURY DIRECT or Commercial Book-Entry) by 2000. This could be done by changing our securities regulations or by operational actions such as marketing the advantages of book-entry, reopening and expanding the CUBES program, and implementing conversion alternatives and incentives.

Much of the transaction work of the Direct-Access Securities program is performed by the Federal Reserve Banks generally with certain banks having specific centralized responsibilities. Since Public Debt is ultimately responsible for this program, we will continue to provide overall direction, guidance and priorities and to remain aware of program performance both by Public Debt and the Federal Reserve. On the other hand, the Federal Reserve Banks have broad authority and discretion to act as our agents and we do not intend to supervise their day-to-day direct access work.

Although we will continue to rely on the Federal Reserve to handle a major share of the transaction and customer contact work, Public Debt will maintain a core of technical and legal expertise on marketable Treasury securities. Both Public Debt and Federal Reserve facilities will continue to be available for the public to personally transact business in these securities.

Public Debt will continue to plan and implement actions to process a declining definitive workload efficiently. We will develop a new computer system to maintain and service registered accounts and will centralize all bearer and registered stock in the Federal Reserve Bank of New York. We will work with the Federal Reserve to identify additional opportunities for consolidating or centralizing definitive securities transaction processing.

Special Purpose Securities

Public Debt's Special Purpose Securities program consists of a wide variety of unique instruments including the Government Accounts and SLGS securities. The value of SLGS securities alone exceeds $150 billion (more than 6 percent of the outstanding debt) and the legal and operational requirements of the instruments are diverse and occasionally politically sensitive. We plan to make considerable improvements to our special purpose securities program.

Marketable Treasury securities are sold through auctions conducted by Public Debt. In 1989, Public Debt auctioned more than $1.3 trillion of marketable securities, making Treasury the world's largest issuer of fixed income securities.

A new Government Accounts Series processing system with substantially increased controls and improved accounting methods will be developed for Public Debt by the Federal Reserve Bank of Cleveland as part of our Public Debt Accounting and Reporting System (PARS) project. The Federal Reserve Bank of Kansas City will develop and operate a new State and Local system for us and will receive and process all SLGS subscriptions. This more efficient system will strengthen processing controls, improve management information, and increase operational flexibility.

Further, we will determine and document our responsibilities to other agencies regarding non-Treasury securities and will take action to ensure that such responsibilities are effectively accomplished by Public Debt or its agents.

Accrual Savings Bonds

The future direction of the accrual savings bond program recognizes the integral role of savings bonds in Federal debt financing. The program will continue to provide a stable and sizable source of debt financing and to afford a large segment of the population with a safe, convenient savings mechanism. In addition, the program (even after including all administrative and tax deferral costs) routinely saves the Federal Government hundreds of millions of dollars annually in borrowing costs.

To maintain the viability of the program and to optimize its benefit to the government, we will make changes in the terms and conditions and processing of accrual bonds.

We expect to process bonds at an overall lower cost than at present. First, we will reduce the locations for issuing bonds over-the-counter from approximately 40,000 to no more than 12 Federal Reserve sites and a small number of agents. Next, we will achieve further cost reductions by shifting additional payroll sales workload from agents to the Pittsburgh, Richmond and Minneapolis Federal Reserve offices. Third, to eliminate all stub processing, we will require that all payroll sales information be submitted to Public Debt on magnetic tape.

Further, as part of our EZ Clear initiative, we will actively encourage agents to use the check collection system for processing redeemed bonds. We also expect that the percentage of redeemed bonds which will be processed by EZ Clear will be so large that it can be adopted as the only redemption method by 1991. Most of the bonds processed through EZ Clear will be truncated at the Federal Reserve Bank of Pittsburgh.

To achieve the full benefits of regionalization, magnetic tape reporting and truncation, and to substantially update our processing technology, Public Debt will create a new operational environment, to include the implementation of a new computer system, for processing Series E/EE savings bonds. This project Series E/EE Automated System (SEAS) will change the way in which savings bond work is done in virtually every component of the Savings Bond Operations Office and the way in which Federal Reserve offices interact with us. One of the major products of SEAS will be the establishment, for the first time in the history of the program, of fully automated savings bond records. We envision, for example, the total elimination of all new microfilm as full registration and other bond issue and redemption data are captured and retained in machine-processable form using optical disk technology.

Changes to accrual bond regulations and to the terms and conditions of the security also are expected to provide opportunities for reducing costs and increasing processing efficiency. As a result of the decision to eliminate $50 and $75 bonds for new payroll enrollees, the number of these denominations being issued will gradually decline over the next several years. Public Debt will, therefore, evaluate the desirability of further changes such as the total elimination of these denominations for payroll purchase. Other modifications may include reducing or eliminating services or transaction options which are costly and offer marginal benefit to the program.

Notwithstanding these changes, Public Debt will continue to rely heavily on its network of financial institutions and other agents to accept and forward applications and payments for over-the-counter sales even though the agents will not actually issue the bonds. Further, several hundred agents will continue to maintain stock and issue bonds as part of servicing employer payroll savings plans. We will continue to pay savings bond agents for the services they provide, in accordance with an established schedule of fees.

Administering the savings bond program affords us a unique perspective on the program and its participants. We intend to continue to use our expertise and information to influence the policy direction of the program, and we will

Outstanding Treasury securities are bought and sold in a secondary market. This market is the largest and most active in the world. More than $200 billion is traded and transferred through a nationwide network each day.

Total Public Debt

Marketable Securities 67%

Savings Bonds and Notes 4%

State and Local Governments 5%

Other Non-Marketable Securities 24%

actively involve the Office of Domestic Finance and the Savings Bonds Division in the consideration and implementation of important changes to the program.

Current Income Savings Bonds

The current income bond is viewed as a sales feature of the Series EE Savings Bond since current income bonds are only available through exchange. We intend to take full advantage of our capability to interact with the Federal Reserve communication network by developing a new investor account and securities processing system for current income bonds. The system will be operated by Public Debt; Federal Reserve Banks will accept applications, authorize issues and process redemptions and other transactions on-line. FRB Pittsburgh will print and mail HH bonds. We will continue to encourage present bond owners to accept their interest payments via electronic means.

Public Debt Accounting

Accounting for the public debt and related interest cost is a fundamental mission responsibility and will continue to be performed within Public Debt. PARS will be implemented to account for and balance public debt securities and financial transactions daily, produce accurate information more timely and strengthen accounting controls. PARS will simplify reporting requirements for Federal Reserve Banks, provide additional access to accounting information, and improve Public Debt operations.

Following the implementation of PARS, we will complete the comprehensive restructuring of our public debt accounting process by evaluating and selecting the most appropriate methods and systems for controlling and accounting for United States Savings Bonds.

To complement our existing accounting expertise which has traditionally focussed on accounting operations and controls, we are going to expand our professional capabilities in the area of public debt accounting. Our goal is for Public Debt to become the primary source of direction and guidance on debt accounting and reporting for the Treasury and the Federal Government. We specifically intend to examine and validate our current accounting practices and to augment our capacity to identify appropriate accounting and reporting alternatives. We also plan to improve our ability to perform comprehensive analyses and evaluations of public debt accounting issues.

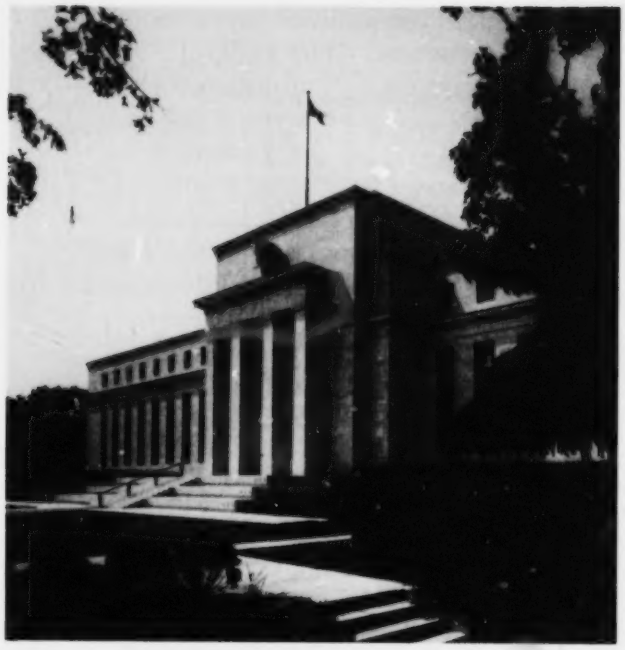
In the interest of more realistic reporting of public debt information and to establish more reasonable long-term recordkeeping and claims requirements, we will pursue opportunities to reduce the public debt outstanding by the amount of matured, unredeemed securities that are not likely to ever be paid and to establish a maximum period of time that security records would be maintained and claims honored.

Federal Reserve

Public Debt plans to make effective use of the Federal Reserve's capabilities in accomplishing our responsibilities to individual and institutional investors in Treasury securities. The Federal Reserve is a necessary and integral element in the accomplishment of our mission. We will rely on the Federal Reserve to handle increasing amounts of securities work and to maintain Public Debt-established standards of quality and service. As we develop new systems and examine our programs, one of the options we will consider is whether to have services provided by all or only some Federal Reserve offices.

While our relationship with Federal Reserve Banks is technically one of principal and agent, it is in practice a dynamic, accommodating arrangement based on communication, trust, and common goals. The long-standing relationship combines with the Federal Reserve System's association with financial institutions and its unique set of responsibilities for open market operations to provide the Federal Government with continuous market contact and significant operational flexibility in administering the public debt.

Much of Public Debt's work is accomplished by the Federal Reserve Banks and Branches which act as fiscal agents and by a nationwide network of 50,000 savings bond issuing and paying agents.



FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

We will maintain an active, executive linkage with the Federal Reserve Board of Governors, the Subcommittee on Securities and Fiscal Services, fiscal agency officers, and others as appropriate to assist us in deciding policy issues, providing program direction, resolving problems, and discussing new ideas. As a normal practice, we will involve the Federal Reserve at an early stage on significant issues of mutual concern and expect the Federal Reserve to reciprocate.

Through our oversight program, we will provide the Federal Reserve Banks with guidelines and expectations for performance, determine appropriate reporting requirements and monitor results achieved, costs, and productivity. In structuring the program, we will recognize the value of the collaborative relationship, respect the individual responsibilities of the fiscal agency departments in the banks and preserve their flexibility in managing day-to-day operations.

We will furnish the Federal Reserve Banks with more effective and useful feedback concerning operational performance and the quality of securities and debt accounting data provided to us. This will be done by instituting a formal program that regularly provides banks with comparative measures on the timeliness and accuracy of their reporting as well as assessments of their effectiveness in support of Public Debt programs.

We support the principle of reimbursing the Federal Reserve Banks for all costs of activities conducted for Public Debt as fiscal agents. We will, therefore, actively pursue full reimbursement and we will report to the Congress the full costs incurred to administer the public debt, including Federal Reserve services. However, even if we are unable to reimburse the banks, Public Debt remains responsible for determining the work that banks are directed to perform and, therefore, remains accountable for the costs they incur. Public Debt decisions regarding the work that we direct the banks to do will continue to be based on our assessement of where work can best be performed. Our determination of what is appropriate work for the banks to perform as fiscal agents will not be based on how their costs are covered.

Debt Management

Public Debt will regularly examine its securities programs and make recommendations to the Fiscal Assistant Secretary and Assistant Secretary (Domestic Finance). Recommendations will be made in areas such as alternative financing techniques, possible changes to the terms and conditions of existing debt instruments, potential new instruments, reinvestment opportunities, and the capabilities of securities processing systems. We will also assist in evaluating proposals initiated outside Public Debt.

Identity and Visibility

Public Debt's borrowing and accounting responsibilities are unique and important to the efficiency of debt financing and the continued operation of the Federal Government. Our ability to be effective in the accomplishment of our mission is strengthened by an increased external understanding of our responsibilities and services. We will, therefore, improve our visibility and increase awareness of our capabilities and contributions especially with the Congress, banking associations and securities industry groups.

Customer Service

Public Debt has a wide variety of customers. We provide service to individual investors in savings bonds and TREASURY DIRECT as well as large institutional investors in marketable securities. Other customers include regulated brokers and dealers in government securities and a diverse array of market participants and others who rely on our public debt accounting information.

We recognize the importance of our customers to the success of our programs and the accomplishment of our mission. Public Debt is, therefore, committed to providing the best possible service to customers that can be provided given available resources.

Public Debt will continue to strive to achieve the proper balance between the range of services provided to its customers and the costs of providing those services. Where necessary, in attempting to achieve this balance, we will choose to limit the variety of services offered rather than reduce the quality of service provided.

Many investors in marketable Treasury bills, notes, and bonds who are not active traders hold their accounts directly with Public Debt. The total amount in these accounts exceeds $56 billion.

RECORDKEEPING - THEN AND NOW

Automation

Public Debt will promote a service-oriented data processing program which is an integral part of our operations and management. Efficient accomplishment of mission requirements should drive our use of technology. To that end, we intend to keep abreast of technological developments and use new technology as appropriate to accomplish our goals.

Public Debt will continue to operate a computer center in Parkersburg, West Virginia. We will also maintain a data processing environment which remains compatible with the Federal Reserve System's environment and which is directly connected to the Federal Reserve communications network. We will take advantage of opportunities to use this compatibility and communications connection to optimize the exchange of data and the sharing of information. To accomplish these goals efficiently, we will remain aware of Federal Reserve data processing and information management plans.

We are so dependent on our mainframe computer to accomplish our mission that it must continue to be available even during times of disaster. To assure continuity of computer support, we will acquire an additional processing site to house a replacement computer system for use if our central mainframe is damaged or unavailable.

Data will be organized and managed effectively to reduce data processing costs, eliminate unnecessary duplication, and provide useful information when needed. Areas of automation emphasis will include the development of systems to address the information needs of our program managers and the planning required to allow managers convenient access to such information.

In addition to developing and maintaining applications centrally, we will encourage users of small computers to develop their own applications and local networks where they can effectively employ, support, and manage such technology.

We intend to strengthen our capability to develop and maintain high quality computer application systems within Public Debt. This will include recruiting and re'aining top-notch data processing professionals and providing them with the appropriate training and tools. In accomplishing our data processing projects, we will combine strong management support with a disciplined and structured development approach centered around Public Debt's System Development Life Cycle.

Public Debt's Securities Transactions Branch provides walk-in service to investors in the Washington, D.C. area. Each week STB receives $14.5 million in tenders for securities, mostly from individuals.

Automated systems will generally be developed, operated, and maintained by Public Debt staff in Washington and Parkersburg using contractor support where appropriate. In those circumstances where our resources are not available or where there are substantial benefits to be achieved, we will consider alternatives such as development by a Federal Reserve Bank.

Public Debt Workforce

As a result of these directions, the Public Debt workforce will become smaller and more technical. Its composition will change, however, resulting in an increase in the number of specialized, higher graded positions which will be increasingly involved in program direction and oversight.

This program oversight will not be accomplished at "arms length" but will require active involvement of our managers and program personnel and will require that they become and remain very knowledgeable in the details of our programs and the processing systems which support them.

Although we will be significantly less involved in transaction processing in the future, the technical complexity and long-term administrative responsibilities associated with Treasury securities will require that we retain existing program-specific knowledge and technical and legal capabilities within Public Debt.

Each workday, the Bureau acquired over 10,000 new security accounts and authorized 16,000 payments for more than $53 million in its TREASURY DIRECT system.

Public Debt will continue to conduct work in Washington, D.C.; Parkersburg, West Virginia; the Federal Reserve Banks and Branches; and the savings bond agent locations nationwide. Our headquarters and the direct-access securities, commercial book-entry securities, government securities market regulation, special purpose securities, and public debt accounting programs will be managed from Washington, D.C. The savings securities program will be managed from Parkersburg, West Virginia. Public Debt operations work will be performed at the location from which the program is managed unless there are specific reasons and benefits for performing the work elsewhere.

Approach to New Business

The primary attention of Public Debt will be directed toward the continued successful accomplishment of our current responsibilities. We are, therefore, not planning to seek out new or different business opportunities as a specific direction; however, we are receptive to new business opportunities that are in direct support of our mission and will not detract from the accomplishment or appropriate expansion of current program responsibilities. We will also consider new businesses that are consistent with our mission and will allow us to maintain an otherwise needed technical or operational capability.

OBJECTIVE ONE

Improve Operational Performance

To conduct Public Debt operations in ways that meet established standards for performance and do so at the lowest feasible cost.

STRATEGIES

- Improve Processing Systems
- Reduce Costs
- Make Optimum Use of Available Technology
- Upgrade Public Debt Facilities
- Strengthen Employee Skills and Knowledge
- Recognize Organizational and Employee Accomplishments
- Enhance Employee Programs
- Improve Service to Investors

Action Plans to Improve Operational Performance

DIRECT ACCESS SECURITIES PROGRAM

- REGISTERED ACCOUNTS SYSTEM — **NO. 1/1/16**

  This action plan will implement a new automated system for processing registered accounts (REG II). While new issues of registered securities are no longer offered, our responsibility for maintaining records on registered securities will extend well beyond the final maturity in the year 2016. The current system, containing approximately 500,000 accounts, is difficult to maintain and inefficient, and the daily run is unreliable. The new system will take advantage of processing and telecommunications capabilities now available to Public Debt and improve efficiency of operations.

- ENCOURAGE CONVERSION OF REGISTERED SECURITIES TO BOOK-ENTRY — **NO. 2-0/1/5**

  This action plan will reduce the number of registered securities outstanding by encouraging investors to voluntarily convert their securities to book-entry accounts in TREASURY DIRECT. As a part of Public Debt's plan for dealing with a continually declining workload in definitive securities, the concentration of direct-access accounts in the TREASURY DIRECT system as soon as possible will benefit us and be welcomed by many investors.

- PAYING FOR TREASURY DIRECT SECURITIES ELECTRONICALLY — **1990 INITIATION**

  This action plan will implement an optional new method of payment for investors to use in purchasing securities in the TREASURY DIRECT book-entry system. This option would make it unnecessary for investors to provide check payments to Treasury in advance of a security's issue date and substantially reduce check processing.

- RETAINING LEGAL AND TECHNICAL EXPERTISE — **1990 INITIATION**

  This action plan will identify a responsibility or type of security where passage of time and diminished volumes will make it difficult to preserve within Public Debt the vital legal and technical expertise needed to handle inquiries and transactions in the future. It will further develop and implement a method or approach to solving this problem. The experience and information gained in solving the problem will be evaluated for possible application to similar situations in Public Debt.

SAVINGS SECURITIES PROGRAM

- SERIES H/HH SAVINGS BOND SYSTEM — NO. 1/1/13

This action plan will improve processing efficiency and payment controls by implementing a new automated system for Series H/HH Savings Bonds. This system will use the Federal Reserve telecommunications network, permit the on-line, interactive processing of issue, reissue and redemption transactions, and centralize the issue of H/HH bonds in Public Debt's Savings Bond Operations Office.

- CORRESPONDENCE TRACKING SYSTEM — NO. 1/2/8

This action plan will significantly increase control of savings bond case files. The automated system will identify, locate, and control files in the Savings Bond Operations Office and prepare a variety of reports related to the location of files and the processing of correspondence.

- NEW SAVINGS BOND DELIVERY SYSTEM — NO. 3-0/1/3

This action plan will introduce an entirely new delivery system for Series EE Savings Bonds sold over-the-counter. OTC agents (currently numbering approximately 40,000) will continue to accept applications and payments; however, all bonds will be issued and mailed to purchasers from selected Federal Reserve Banks. Public Debt's receipts of sales proceeds will be accelerated and the processing of sales data fully automated.

- SERIES E/EE AUTOMATED SYSTEM — NO. 3-0/1/10

Project SEAS will develop and implement a new system for conducting savings bond processing activities within the Savings Bond Operations Office. It will replace outdated data processing technology; accommodate new operational approaches for accessing information on electronic masterfiles; facilitate our efforts to move additional transaction processing activities to Federal Reserve Banks; and employ the latest proven technology to satisfy information requirements.

- ELECTRONIC PROCESSING OF PAYROLL SALES OF SAVINGS BONDS — NO. 3-0/1/6

In concert with the action plan to consolidate the issue and delivery of savings bonds sold over-the-counter, (which will eliminate all OTC stubs), Public Debt will develop and implement a program aimed at phasing out the remaining use of stubs which report sales of bonds through payroll savings plans. Successful implementation of the two action plans will result in all savings bond sales data being reported to us on electronically processable media, thereby improving the utility and accuracy of savings bond masterfiles as well as reducing program costs.

PROCESSING SAVINGS BONDS - THEN AND NOW

SPECIAL PURPOSE SECURITIES PROGRAM

- STATE AND LOCAL GOVERNMENT SECURITIES SYSTEM — **NO. 5-0/1/8**

This action plan will implement a new automated system for processing Time and Demand Deposit State and Local Government Series securities. The current Time Deposit system is outmoded and cumbersome; the Demand Deposit system is not capable of fully meeting our processing requirements since it was developed under severe time constraints. Neither system provides the high degree of flexibility demanded of these securities systems. This effort integrates State and local account processing and will replace the two computer systems now in use.

PUBLIC DEBT ACCOUNTING PROGRAM

- PUBLIC DEBT ACCOUNTING AND REPORTING SYSTSEM (PARS) — **NO. 1/1/6**

This automation effort will result in a fully integrated accounting system encompassing financial accounting, daily securities accounting, and the reconciliation of securities and financial data on a daily basis. Timeframes for submission of both original and correction data by reporting entities will be dramatically shortened. The new system will also significantly improve internal controls and the timeliness of reconciled public debt accounting information.

- U.S. SAVINGS BOND ACCOUNTING SYSTEM — **1990 INITIATION**

The current system that provides summary accounting information for the savings bond portion of the public debt is outmoded. It relies heavily on manual controls and is cumbersome. User accounting and run control manuals will be developed in 1990. System changes related to the standardization of programs and savings bonds accruals will also be undertaken. These actions will lay the foundation for the design and implementation of a new U.S. Savings Bond accounting system which will improve controls over accounting information. When the new system is designed and implemented, it will take advantage of available technology and establish a more effective linkage with Public Debt's savings bond processing system.

The Public Debt computer center in Parkersburg, West Virginia processes more than 23 million transactions per month. Over 35,000 magnetic tapes and cartridges store more than 5 billion investor records.

GENERAL

- AUTOMATE ADMINISTRATIVE FUNCTIONS **1990 INITIATION**

  This action plan will evaluate and identify Public Debt administrative functions best suited for increased automation. This initiative will use up-to-date data processing techniques and equipment to improve the efficiency and timeliness of administrative functions such as budget preparation and execution, administrative accounting, personnel management and procurement.

- IMPROVED MANAGEMENT DEVELOPMENT PROGRAM **NO. 7-0/1/12**

  This action plan will implement a new management development program with broader employee coverage, less program formality, and expanded developmental opportunities. We are committed to developing the strong management at all organizational levels that is essential for us to continue to accomplish our responsibilities and to meet new program challenges.

- IMPROVED INFORMATION MANAGEMENT **1990 INITIATION**

  To more efficiently organize and manage Public Debt's automated information, this action plan will establish a data administration program and a data base management program. These programs will more effectively organize and control the significant volume of information on our mainframe computer.

- UPGRADE PUBLIC DEBT'S COMPUTER SYSTEM **NO. 7-0/1/15**

  This initiative will insure continued support for Public Debt's centralized processing requirements and extend the system life of the current computer for 6 years. The project will evaluate anticipated mainframe data processing and telecommunications needs and acquire sufficient additional processing and storage components to satisfy future requirements.

- PUBLIC DEBT ORIENTATION PROCESS **NO. 7-0/1/11**

  This plan will produce an expanded employee orientation process. The process will define the role of Public Debt in the Treasury and the roles of the components of our organization in borrowing the money needed to operate the Government and in accounting for the public debt. The orientation, which will be ongoing, will focus on ensuring that all Public Debt employees understand their specific responsibilities and how those responsibilities contribute to the overall success of our operations.

Since the United States Savings Bond Program started in 1935, more than 5.3 billion savings bonds have been issued.

- TOTAL QUALITY MANAGEMENT **1990 INITIATION**

This action plan will develop and implement a formal Total Quality Management (TQM) program for Public Debt. The program will involve the entire organization and build on Public Debt's long-standing commitment to quality, customer service, and operational excellence. Our approach will be aimed at meeting customer needs and expectations, will involve managers and employees, and will specifically seek improvements in Public Debt's processes, products, and services.

- ACCOUNTANTS TRAINING PROGRAM **1990 INITIATION**

Recognizing the fundamental role of accounting within Public Debt, this initiative will implement a formal training and development program to improve the knowledge, skills, capabilities and performance of our accountants and encourage them to keep current in their profession. The program will cover accountants with responsibilities in both fiscal and administrative accounting systems throughout the Bureau.

- PUBLIC DEBT INFORMATION **1991 INITIATION**

This action plan will identify and evaluate additional or revised presentation options for public debt accounting information with the goal of making that information more useful to Treasury and the financial community. Current Public Debt accounting reports often require considerable research and analysis in order to convert the data into a form which will meet the varied needs of recipients.

Public Debt employees process 670,000 savings bond transactions each workday.

OBJECTIVE TWO

Increase Program Effectiveness

To establish, modify, or reinforce the scope, direction, or performance expectations of Public Debt's securities and accounting programs.

STRATEGIES

- Increase Debt Financing Effectiveness
- Identify Program Responsibilities
- Strengthen Program Management Capabilities
- Monitor Program Performance
- Effectively Align Public Debt and Agent Resources to Workloads

Action Plans to Increase Program Effectiveness

COMMERCIAL BOOK-ENTRY SECURITIES PROGRAM

- STUDY TO DETERMINE THE SAVINGS OR COST OF YIELD-BASED AUCTIONS — **NO. 2/1/8**

  A study will be conducted to assess the effect of Treasury's switch to yield-based auctions from price-based auctions. We will also evaluate our current policy of awarding noncompetitive bidders the average auction yield and recommend changes where desirable.

- REGULATIONS FOR THE COMMERCIAL BOOK-ENTRY SYSTEM — **NO. 2/2/3**

  The regulations governing the maintenance and transfer of Treasury securities in TRADES (Treasury/Reserve Automated Debt Entry System) need to be substantially revised. The basic premises of the existing regulations have been in place since 1968. Treasury's move to full book-entry for new marketable issues, significant changes in the financial market, the evolution of the law governing uncertificated securities, and the emergence of interpretive questions have contributed to the need to update the regulations.

  This action plan will develop, publish and implement updated regulations governing book-entry marketable Treasury securities in TRADES. These TRADES regulations will clarify responsibilities of Treasury and market participants and will describe the process required to create and perfect interests in book-entry securities, to transfer these securities and to resolve competing claims.

- DEVELOP A NEW COMMERCIAL BOOK-ENTRY PROCESSING SYSTEM — **NO. 1-0/2/13**

  This action plan will evaluate the structure and operations of the government securities market for use by Public Debt and the Federal Reserve to create a new commercial book-entry processing environment. Both the processing system and processing environment will be designed to support the Treasury's current and future financing requirements, and the operations of the secondary market. It is envisioned that the current computer applications and hardware could be replaced by one application that would run on one or more computers. Completion of this initiative will provide a means by which future securities processing can be conducted more efficiently, the rights and obligations of market participants will be clearly described, access to the system will be delineated, and the time and effort required to bring new instruments to market will be significantly reduced.

DIRECT ACCESS SECURITIES PROGRAM

- FULL BOOK-ENTRY BY 2000 — **1990 INITIATION**

  Public Debt has a goal of coverting all outstanding definitive securities to book-entry form by 2000. This action plan will produce a comprehensive strategy which will identify and specify the order and timeframes for a series of actions to eliminate paper certificates.

- EXPAND DEPOSITORY INSTITUTIONS' ROLE IN TREASURY DIRECT — **1991 INITIATION**

  This action plan will change the TREASURY DIRECT system and the procedures that govern it, as necessary, to enable depository institutions (DIs) to better serve their customers with investments in TREASURY DIRECT. Public Debt will explore and implement specific actions that would give DIs more flexibility in acting as intermediaries for those investors who wish to have their TREASURY DIRECT account transactions handled by their DI.

- TREASURY DIRECT OF THE FUTURE — **1992 INITIATION**

  The goal of this action plan is to ensure that the performance and capabilities of the TREASURY DIRECT system will meet the needs of the next decade. We will determine the essential requirements of the system for the future and modify or redesign the system to meet those requirements.

SAVINGS SECURITIES PROGRAM

- REVIEW OF SAVINGS BOND REGULATIONS — **NO. 2/1/2**

  To improve program administration and cost effectiveness, this action plan will examine current savings bond regulations and administrative requirements to identify opportunities to simplify the processing of Series EE and HH savings bond transactions. Revised regulations will be issued to implement approved recommendations.

Implementation of the Regional Delivery System for savings bonds is currently underway. While continuing to allow purchasers to deal with their local financial institution, this financing innovation will issue bonds regionally and provide improved controls and substantial savings for the program.

- SAVINGS BOND REDEMPTION VALUE INFORMATION — NO. 3-0/2/9

  To make more efficient and improve the accuracy of savings bond redemption processing, this action plan will evaluate alternatives for providing redemption value information to paying agents. The study will investigate redemption table distribution methods as well as the feasibility of enabling agents to determine redemption values electronically.

Public Debt stands ready to replace certain marketable and savings securities for investors. Annually, over $6 million in marketable securities and $39 million in savings bonds are issued to investors in replacement of securities that have been lost, stolen or destroyed.

GOVERNMENT SECURITIES MARKET REGULATION PROGRAM

- EVALUATION OF GOVERNMENT SECURITIES ACT REGULATIONS — NO. 4-0/2/14

  The Treasury's rule-making authority under the Government Securities Act expires on October 1, 1991. The Act requires that Treasury, together with the Securities and Exchange Commission and the Board of Governors of the Federal Reserve System, submit a report to Congress by October 1, 1990, evaluating the effectiveness of the regulations and making recommendations concerning the extension of Treasury's rule-making authority. This action plan will evaluate whether the regulations achieved the objectives intended by the Act and will also assist the Department in meeting its obligation of reporting to Congress.

SPECIAL PURPOSE SECURITIES PROGRAM

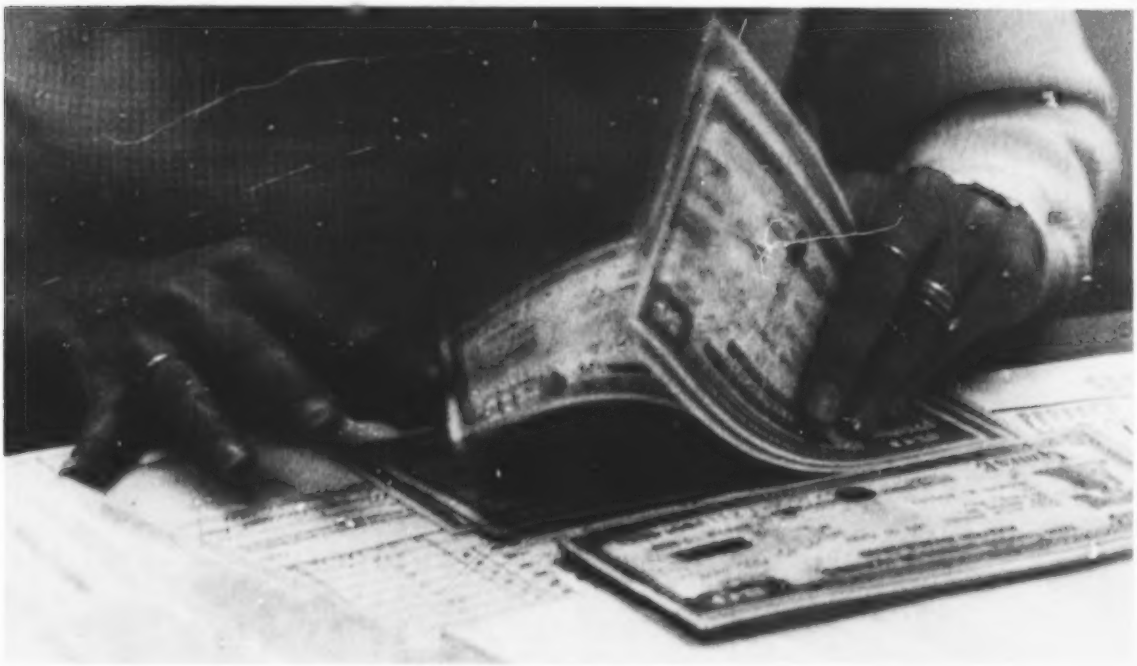
- RESPONSIBILITIES FOR NON-TREASURY SECURITIES — NO. 2/1/11

  This plan will identify and document the Department's legal and regulatory responsibilities for non-Treasury securities and evaluate current practices. There is uncertainty about the scope of Treasury's responsibilities for these securities and the extent to which those responsibilities are being met. The report resulting from this action plan will clarify and document Treasury's responsibilities and will provide a basis for future actions and decisions.

PUBLIC DEBT ACCOUNTING PROGRAM

- SAVINGS BOND INTEREST ACCRUALS NO. 6-0/2/7

This action plan will examine whether Public Debt should change the way it accounts for interest on accrual savings bonds. Differences between the preliminary and final interest reported for each month suggest a need to review our methodology and accrual policy. The need to account for the effect of the variable rate on interest accruals also supports a review of our approach to accounting for savings bond interest.



Each year, Public Debt responds to more than 750,000 pieces of correspondence and telephone inquiries from investors.

GENERAL

- IMPLEMENTATION OF PROGRAM STRUCTURE — **NO. 2/2/4**

  Public Debt adopted a formal program structure which more clearly assigns responsibilities for and focuses attention on program management. This action plan will orient management to the new structure and the management information that will be available by program, establish expectations regarding the use of the structure and the program information, arrange for the data collection, and integrate the program structure into the long-range planning process.

- REMOVE MATURED, UNREDEEMED SECURITIES FROM THE OUTSTANDING PUBLIC DEBT — **NO. 7-0/2/4**

  The public debt accounts now include a significant amount of matured, unredeemed Treasury securities. It is likely that a large portion of this amount will never be presented for redemption. Continuing to include these amounts in the public debt overstate the true liability of the Federal Government. Further, current law and regulation require Public Debt to retain almost all security and ownership records indefinitely. This plan will identify the statutory and regulatory changes necessary for accomplishing a more realistic presentation of liability and for limiting the period of time past maturity for which records must be maintained and claims honored for unredeemed securities.

The largest average account balance for investment accounts maintained directly by Public Debt is over $1 million and occurs in the State and Local Government Securities system. This system holds $160 billion in just over 100,000 accounts.

OBJECTIVE THREE

Strengthen Management and Control Systems

To ensure that control, accountability, and security of Public Debt resources and systems are effective and in compliance with established standards.

STRATEGIES

- Strengthen Accounting and Systems Controls
- Improve Cash Management and Debt Collection
- Enhance Resource Protection
- Refine Contingency Plans
- Improve Management Information

Action Plans to Strengthen Management and Control Systems

GENERAL

- UPDATE PRODUCTIVITY INDICATORS — **NO. 3/2/3**

  This action plan will update or develop work units to measure and report on the productivity and performance of Public Debt's organizational units. Updated work units and more accurate measures of output and productivity will permit us to better manage and allocate resources.

- CONTINGENCY PLANS FOR CENTRAL COMPUTER OPERATION — **NO. 3/3/10**

  This initiative will locate and arrange for the use of a temporary replacement for Public Debt's central computer system and telecommunication links in the event of a major disruption of service. Procedures will be developed for shifting to the replacement system, adjusting Public Debt operations to the new environment, and re-establishing permanent processing capabilities.

- INFORMATION CENTER — **1990 INITIATION**

  This initiative will explore the value of establishing an information center within Public Debt. The center would be a single source of assistance with responsibility for matching Public Debt's information needs with the most appropriate technology for satisfying the needs. Such a capability would enable us to meet the increasing requirements for rapid and useful access to information within our automated systems.

- CONTINUITY OF PUBLIC DEBT OPERATIONS — **NO. 7-0/3/16**

  This action plan will develop a comprehensive approach to establishing operations at another location in the event that existing facilities are unavailable for an extended period.

In addition to directly serving investors in Treasury securities, Public Debt actively works to protect investors through the market regulation efforts of our Government Securities Regulation Staff.

- **FRB PERFORMANCE REPORT** **1990 INITIATION**

Through this action plan, we will establish a mechanism within Public Debt to report information on the operational performance of Reserve Banks and on the quality of securities and debt accounting data provided to Public Debt by the banks. The report will provide formal and regular feedback to bank management on the timeliness and accuracy of their reporting as well as an overall assessment of the bank's effectiveness in support of Public Debt programs. The report will also enable bank and Bureau management to assess bank performance in comparison with other banks and to identify, at an early stage, areas for improvement.

NEW YORK FEDERAL RESERVE TRADING ROOM

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The Bureau of the Public Debt . . . two thousand employees in Parkersburg, West Virginia and Washington, D.C., dedicated to the efficient and accurate accomplishment of the nation's borrowing.

NOTES:

Financing Freedom . . . Right from the Start